

Message from Mr Bruce Akhurst, Sensis Chief Executive Officer

Welcome to the updated edition of Sensis' exciting publication, *Small Business, Big Opportunity: Winning the right customers through smart marketing and advertising*.

When we set out to write *Small Business, Big Opportunity* two years ago there were 1.3 million businesses in Australia. Today there are more than 2 million!

The world of marketing and advertising has changed rapidly in that time. While the marketing and advertising disciplines are connected, the way people are using them is changing and it can be a tough job keeping up. The younger generations are multi-tasking more than any before them, businesses are spending more on internet advertising than radio and subscription television continues to grow at a rate of knots. Outdoor advertising is becoming more interactive and directories are proving to be the most accountable form of advertising.

Sensis' heartland is marketing and advertising so what better way to contribute to the small business community than to share our insights and experiences. Our aim is to help you grow and strengthen your business.

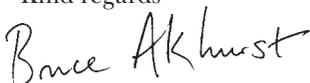
I am really proud that we have distributed 100,000 copies of the first edition of *Small Business, Big Opportunity* to date! We have received some wonderful feedback from small business owners, aspiring entrepreneurs and industry heavyweights alike.

This feedback and some updated information have been incorporated into this latest edition. I hope you find the update helpful in building your business.

You'll also find we have some fantastic case studies and articles about small business' marketing and advertising endeavours at smallbusiness.sensis.com.au. We plan to regularly enhance the site so you too can share your views and contribute your ideas. I hope it continues to be a handy resource to complement this book.

On behalf of Sensis, I trust you find this book a useful tool. I wish you every success in your business.

Kind regards



Bruce Akhurst

Small Business, Big Opportunity:

Winning the right customers through smart marketing and advertising

Rob Hartnett and Karina Keisler

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Editor and co author: Karina Keisler, Sensis

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SMALL BUSINESS, Big Opportunity

Winning the right customers through
smart marketing and advertising



Rob Hartnett and Karina Keisler

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Acknowledgements



Marketing and advertising are two of the most significant areas to impact the success of any small business.

In writing the first edition of this book, Sensis consulted with Rob Hartnett, an author, speaker and marketing coach who has, with his business partners, assisted hundreds of business owners to improve their business success through better marketing and sales strategies.

The feedback we received from the first edition was overwhelmingly positive and we look forward to more of the same from this edition.

While the content remains largely untouched, we have tried to elaborate in areas where people have asked for more information. Requests for information on topics such as online, mobile and search engine marketing are perhaps not surprising given the speed of change and development in these relatively new channels for advertising and marketing.

We were also asked for more information on how to make your dollars work harder in directory advertising – a subject we have worked really hard to help you understand, and one which is perhaps the most accountable of advertising approaches thanks to research and measurement we have put in place for our advertisers.

We would like to thank Rob for his advice and input in the first edition without which there wouldn't be a second edition, and the many small business owners he has worked with across Australia who have helped him learn lessons which we hope, in turn, will help you.

So no matter whether you want to grow a business, grow profits or just grow your leisure time, marketing can help you get there. It is Sensis' hope that this book and the soon-to-be enhanced website smallbusiness.sensis.com.au can help you reach your goals and aspirations faster.

Karina Keisler

Foreword

Ever thought you should do more marketing for your business? Not sure you have the time or the money? How do you think your business would survive without customers?

Marketing is about attracting new customers and keeping the ones you have. Shouldn't that be high on your priority list? A lot of small businesses shy away from marketing because they feel it is the domain of big business, with well-staffed marketing divisions and large budgets. Or they see marketing only as flashy advertising.

We hope this book dispels many of these myths and shows you how marketing contributes to the bottom line. Throughout the book, we have provided you with insights into the many ways marketing can positively impact your business. You will also find plenty of marketing ideas that are cost effective and designed specifically to get results for small businesses.

The best way to use this book is to read it from start to finish. We start by introducing some marketing issues which relate to most small businesses. Then we explore some of the specific areas of marketing your business might use to attract and keep customers.

There is a glossary of common marketing terms you can refer to while reading, as well as a resource guide with suggestions for further reading and a complementary website smallbusiness.sensis.com.au which provides access to a range of recent case studies and articles to help further.

Happy reading!

"I have had my ups and downs like anyone else – more ups than downs so far. But I just work hard at what I do and I love what I do."

Jerry Bruckheimer, Hollywood producer

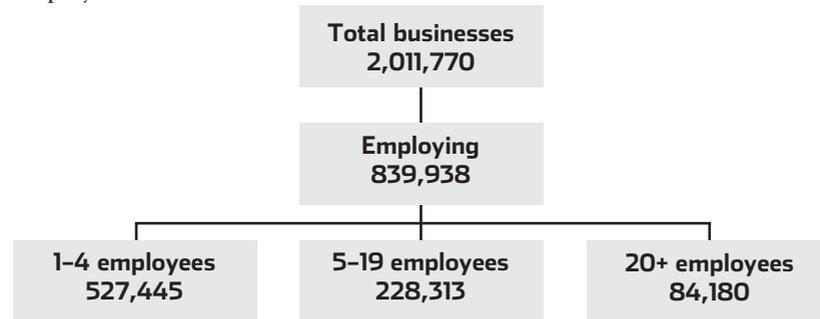


Small business in Australia

Starting and managing your own business is a major step. It has never been easy, and never will be. However, there is nothing as rewarding as building a successful business. In a population of a little more than 20 million people, there are more than 2 million Australian businesses. Often considered the backbone of the Australian economy, small businesses play a vital role in Australia becoming a more entrepreneurial and proactive nation, one that generates great ideas and, most importantly, has the support and knowledge to bring them to life. While some small business owners may complain about lack of time, how hard it can be generating

business, unfair laws and completing their Business Activity Statements (BAS), would any of them swap their lot for a fulltime position in a large company? No way!

According to the Australian Bureau of Statistics (ABS), there are 2,011,770 small and medium businesses in Australia. Of these, 839,938 employ staff. The following diagram illustrates the breakdown of employees.



Ross Cameron, of Cameron Research Group, found some common characteristics in the small business sector:

- 50% of businesses don't employ and don't want to
- A further 32% employ fewer than 5 people
- 58% of owners don't have a business plan
- 83% of owners don't have a business degree
- One third have owned a previous business.

Furthermore, there appeared to be a large number of small business owners who were not interested in growing. It is possible this is because many small business owners don't know how to grow. If they did know how to grow, and were mentored on how growing their business could get them to reach their aspirations faster, would they perhaps be more interested?

Home-based business

The more surprising research less often quoted is the number of home-based businesses, or small office/home offices (SOHOs), we have in Australia. According to the ABS, 67% of all small businesses in Australia

are home-based businesses. That's around 856,000 businesses. The biggest growth is in new businesses operating for less than one year. What is also interesting is the number of home-based businesses that are employing people:

- 69% are non-employing
- 28% employ 1-4 people
- 3% employ 5-19 people.

This activity in the suburbs has not been lost on Australia's property developers, who are adding a dedicated study to their house and apartment designs.

An increase in the number of home-based businesses is also important for the Australian economy. This is because as home-based businesses move out of the home, they are likely to start employing more people and making more money.

According to the ABS, 70% of all home-based businesses are male-operated, and 30% of these men are born overseas. This is a similar make-up to small businesses in general. The home-based business market is, in many cases, where great businesses start and is perhaps the most exciting area of small business. It is the birth of innovation, the start of a potentially amazing future. Consider some of the great global businesses that started in a home or garage:

- Apple
- Hewlett-Packard
- Virgin
- Lonely Planet
- Billabong.

Interestingly, the United States market has a similar home-based market share to Australia. The United States market is, however, more developed in terms of the contribution to the United States economy. In his book *The Next Millionaires*, Paul Zane Pilzer points out that a staggering one in eight United States households runs a business, which equals a total of 50% of all small businesses. To top it off, they generate a staggering 10% of the entire United States Economic Receipts.

Medium business

Medium business owners (MBOs) are different to small business owners (SBOs) in many ways. In most cases, medium business operators:

- Have a formal education
- Have in-house expertise (for non-core activities such as accounting and marketing)
- Have business builder attitude
- Are likely to seek advice
- Have developed a business plan.

MBOs are often more commercially focussed than small business owners. They tend to focus on generating maximum business returns compared to SBOs, who commonly focus on issues relating to their lifestyle and generating sufficient, rather than maximum, returns.

In assessing their 'success', MBOs consider lifestyle, balance, flexibility, empowerment, choices, and creating a 'self-sufficient' business (e.g. one that's not dependent on the business owner directly). As a rule, MBOs have a clear business strategy, and have devoted considerable resource and effort to developing their strategy. Many business owners view the development of their business strategy as one of their primary roles.

Franchising

Franchising is going through a major growth phase in Australia. IBIS World believes that by 2060, more than 60% of Australian businesses will run a franchise model. Let's consider the franchise market in Australia as it currently stands:

- \$128 billion turnover
- More than 14% of Australia's GDP
- 12% growth per annum
- 60,000 franchised businesses
- 600,000 employees
- Low level of disputes.

While this last point is interesting, it should be noted, that franchising is not all a bed of roses. There have been disputes between franchisors and franchisees, and there are likely to be more in the future. To help alleviate this, the Australian Competition and Consumer Commission (ACCC) has set up a franchising section, and the Franchise Council of Australia (FCA) is developing a number of accreditation and education programs to better assist this vibrant and exciting sector of the business world.

A snapshot of the better-performing franchisees in Australia, as provided by consulting group DC Strategy, suggests they:

- Expect a return on investment >25%
- Are prepared to work hard
- Have savvy advisers
- Compare established with new systems
- Join a franchise to succeed
- Want standards maintained or increased
- Want to see network growth
- Move to multiple outlet ownership.

In terms of future outlook, we are likely to see a similar scenario as in the United States, where there has been some consolidation of late with regard to large franchisors. The following factors have driven consolidation in the United States:

- Increasingly competitive market
- Economies of scale
- Established franchise systems looking for new opportunities
- Interest by large corporations and venture capitalists.

Bearing in mind Australia has four times more franchisees per head than the United States, some consolidation is likely to occur in Australia also.

This book also has some important lessons to share with franchisees. Too many people take on a franchise and expect their marketing contribution to the franchisor to deliver all the business and clientele they will ever need. This is simply not true. Franchisees need to understand marketing and advertising, know how to leverage the brand awareness

they have, and be able to turn this into successful marketing, at least at a local level.

Small business success

So what does it take to be successful in small business? Before answering this question, here are some questions which might assist with the solution.

Question one

Q: Why are you in business?

A: To make a profit.

If you don't make a profit you are a charity, not a business.

Question two

Q: What business are you in?

A: The selling business. The products may be different, but everyone in business is selling something to someone.

Question three

Q: How much are you selling your life for right now?

A: (Your weekly income/profit divided by the number of hours you work per week.)

So, back to the original question: what does it take to be successful in small business?

Successful small business owners realise they are in business to make a profit and unless they make a profit, they don't grow. Small business can be mentally and physically exhausting, and many business owners say they don't own a business, it owns them. Successful business owners know what they do well and surround themselves with the right people to ensure questions one and two are covered. In doing so, they are rewarded by a healthy response to question three.

Your business success is dependent on four primary factors:

1. Your available market
2. Your ability to create selling opportunities from that market
3. Your – and your staff's – business, sales and marketing skill
4. Your ability to contain costs and increase margins.

The big issues

Business owners often complain about the 'big issues' they face. These issues include:

- Lack of capital
- Lack of time
- Difficulties in finding the right staff
- Government regulations.

Let's address each of these issues briefly.

Lack of capital

At present in Australia there appears to be a vast amount of money looking for the right investment. If you have a good idea, a sound business plan and stable management, then lack of funds should not hold you back.

In fact the banks seem to have realised that the small business market is where the action is and are very keen to develop this sector. Don't be dismayed if a bank has rejected you – if you have a good idea, a sound business plan and stable management, other banks may still be willing to give you a loan.

Lack of time

This is a valid issue for some, but does not appear to be an issue for those succeeding, and there are some good reasons why.

One time-robber is inefficient systems, which we will discuss in chapter 4. Next up, there is time management. No one can 'manage time' except, apparently, commercial aeroplane pilots, who seem to be able to make up time when they need to! But you can manage yourself better and learn to make the most effective use of time. Managing yourself is all about priorities. Getting your priorities right can literally mean the difference between rags and riches.

Think of a business with a number of directors who all work in the business and have done so for many years. They might all be busy, but want to build the business while working less, not more. To manage this, they might introduce a rostered day per week where one of the directors

focuses on relationship building, business development and networking. This single day in the diary might be a major step in behavioural change but is potentially much more important than taking on work another staff member could do with some training.

Managing yourself and your time is, in many cases, saying no to more things than you say yes to. Actor Tom Hanks said in a 2001 interview with the *Guardian*: “I think that’s the only way we really get to define ourselves – not so much by what we say yes to, as what we say no to.”

People are most productive when they have a big goal which symbolises pleasure. Consider how productive you are the day before you go on a holiday (or for those small business owners who have not had a holiday in a while, think back to your days as an employee). How organised and productive were you that day? Why? Because you were motivated, that’s why. Motivation to reach a big juicy goal that represents pleasure will take care of time management issues every time.

Finally, look at your own time management as you would investment. Instead of return on investment (ROI), think in terms of return on minutes (ROM) for any activity you are doing or being asked to do.

So stop leaping into the next thing. Leap into the right thing and say no more often!

Difficulties finding the right staff

This is a major issue for many Australian businesses, not just small business. The key issue is that small business owners tend to win new business and then start looking for the right staff. Instead, you should always keep a watching brief for the right people, not only from a credentials perspective but, most importantly, for cultural fit. Small business owners should also consider hiring part-time or temporary resources as and when they need them, as an alternative to full-time employees.

Government regulations and the law

There are some things you can control and others you cannot. All business owners should draw up a list of their issues and divide them into three:

1. Things you can do something about
2. Things that someone you know can do something about
3. Things that are totally beyond your control.

Government regulations and compliance fall into category three. They are not going away, so you need to deal with them. Sometimes the best solution may be to hire someone else who can deal with them. This is an important point. The Australian Taxation Office (ATO) has so many BAS payments and other compliance-related payments outstanding from small business owners, it is now seeking the help of debt collectors. Don’t wait for them to knock on your door. Get your house in order so you can focus on developing your business.

The real causes of business failure

Major business problems are usually the result of underlying smaller problems. The underlying smaller problem is often one, or a combination, of the following:

- No business structure in place
- No achievable dividend (profit) objective
- No sales and marketing systems or procedures for achieving the dividend objective
- Running the business tactically, not strategically
- Working in the business, not on the business
- No staff training program in place.

A lot of the issues above can result from the type of business owner you are, and what stage you are up to with your business.

Let’s take a look at the main types of business owners.

Business owner types

Michael Gerber, author of books such as *The E-Myth* and *E-Myth Mastery*, says there are essentially three types of business owner, regardless of whether they are a sole trader, a franchisee or the owner of numerous outlets.

These three are:

- The Technician
- The Manager
- The Entrepreneur.

The Technician

The Technician typically has a passion, hobby or interest which they turn into a business. They are the reluctant business owner. They would prefer to tinker away at what they enjoy, but know they need to ensure their hobby is turning a profit. For example, most people who work with automobiles have a passion for cars and engines. They may have started up when they realised they could make money out of something they really liked doing.

Musician Ben Lee was once asked about his favourite time. He said, "It was when I realised I could make a living of this music thing." A true Technician.

Technicians tend to love their product or service, and really like to demonstrate their expertise and knowledge. They are hands-on people who live in the present and like to get the job done with as few interruptions as possible. When starting out, Technicians typically have limited customer service skills, a vague, or no, concept of sales and marketing, and survive on word-of-mouth reputation for customers. This can serve them well for many years, until their contacts move on or someone else comes along with a better solution. Many set up their business close to home rather than close to their target market. Technicians tend to run into trouble when they come to sell their business, as the entire value of the business is centred on them. Technicians also have a habit of naming the business after themselves, which makes sense when they have a word-of-mouth sales model, but can become an issue when they decide to sell.

The Manager

There are two types of Manager. First there is the freedom seeker.

The freedom seeker typically has come from a corporate background and has decided to work for themselves rather than someone else.

They are tired of endless meetings, interstate and overseas travel, conferences and office politics. They have left the corporate world of their own choice and now want a different life.

The second type is the corporate castaway. They have been given the ultimate in salary sacrifice...retrenchment. Rather than try their luck back in the corporate world, they decide to take control of their destiny. Who can blame them?

Both types of Manager bring the process and management thinking of the large business to their new business.

Managers are pragmatic. They bring order and put good systems in place, often at the expense of building sales or capitalising on opportunities. The Manager has, in most cases, bought themselves a job, not a business. They see the business providing the freedom of a business owner, but they have the procedures and processes of a larger business. They tend to be more focused on systems, procedures and building the business through a long-term conservative growth strategy. Many Managers buy franchises. Managers rarely start their own business from scratch and, like many, struggle with sales and marketing. If they have come from a corporate background, they may not have ever been exposed to sales and marketing. If they were, they always had the corporate infrastructure and their base salary to rely upon. Many franchisors from a corporate background expect merely to read all the manuals and open the door for the customers to start coming in.

The Entrepreneur

Most often, it is not a lack of marketplace opportunity, but a lack of system, method and developed skills (habits) holding a business back. It is in this primary area that entrepreneurs have a different philosophy than self-employed business owners. Many business owners get caught up in

the business while Entrepreneurs develop systems and people so they can focus on building the value of the business. Entrepreneurs use systems day-in, day-out, in business and out of business, and they set them up at the start.

Why? Because they expect to be successful.

Entrepreneurs are passionate about building and growing their business. They are typically dreamers who focus on the future and are always full of optimism. They will take risks. They are interested in opportunities for growth and need to see return on investment. Entrepreneurs respect experience and acknowledge that people who are experts in their field can add value. Unlike the Technician, they are not interested in how much the experts know about their products, they are more interested in how much they can assist in growing their business. Entrepreneurial thinking is a lifestyle. It is a choice. Entrepreneurs are not born, they are made – and they study at it and work at it. They start with an idea or they see an idea that may work in a different environment. So they innovate. Then they put a set of numbers, or key performance indicators, in place to measure if the idea has potential and, if so, how much. Finally, they optimise the results. They change what is not working and enhance what is working. They don't give up; they find a way to achieve their vision.

There is a sub-group here, too: the entrepreneurial apprentice. They are Entrepreneurs-in-training and typically work in a large organisation while running a business on the side. They do this until they are ready to leave their corporate job and focus solely on their own business. These people are not Technicians; they invest to make money, not for a hobby. They use their corporate job as a source of funds to drive the business and as their training ground. Here they can learn about leadership, sales, marketing and process before they finally cast away from the 'mothership.'

Business owners can change over time

As a business owner gains experience, they often change roles. And as a business grows it is likely to need all three roles at different times.

The Technician is needed to deliver the products and services, the Manager is needed to ensure proper systems are in place to keep the

business running profitably, and the Entrepreneur is needed again as the business matures, to look at acquisitions, exit plans or further growth opportunities. When starting a business, even the Entrepreneur must become a Technician simply to get the job done. They also need to be a Manager at times, to ensure the systems and processes are put in place to enable them to quantify the results.